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TO RUEHC/SECSTATE WASHDC 3746
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C O R R E C T E D C O P Y (ADDED SIGNATURE)

SENSITIVE

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TAGS: [ECPS](#) [EINV](#) [PGOV](#) [WZ](#) [SF](#)

SUBJECT: THE KING'S ECONOMY - CELL PHONE BUSINESS BENDS TO ROYAL
POLITICS

¶1. (SBU) SUMMARY: Royal politics and King Mswati's business interests appear to have caused the ouster of Mobile Telephone Network (MTN) CEO Tebogo Mogapi and halted parastatal Swaziland Post and Telecommunications Corporation (SPTC) from selling the MTN shares it owns to raise money for a Next Generation Networks (NGN) cell phone project. Industry and press observers privately indicated that the king, who already owns many MTN shares, had wanted to purchase the MTN shares himself at a cheaper price than the buyer, MTN, was offering SPTC. Government officials later prevented the sale, and recently did not renew the work permit for CEO Mogapi, a South African citizen, apparently in retaliation for his role in the transaction, as well as the CEO's reported decision to oppose government efforts to use the MTN network for electronic surveillance on political dissidents. END SUMMARY.

¶2. (SBU) Royal politics and King Mswati's business interests appear to have caused the ouster of Mobile Telephone Network (MTN) CEO Tebogo Mogapi, a South African citizen, and halted parastatal Swaziland Post and Telecommunications Corporation (SPTC) from selling MTN shares it owns in order to raise money for a Next Generation Networks (NGN) cell phone project.

¶3. (SBU) The NGN is intended to support both fixed and mobile connectivity, and enable SPTC to deliver communication services regardless of geographic location. SPTC planned to switch on the fixed mobile phone system on September 6, 2009. To provide capital for the rollout, SPTC announced it would sell the 10 percent of MTN shares it held. In July, the GKOS stopped the sale, claiming that SPTC did not keep government informed of its operational plans. Nevertheless, Prime Minister Barnabas Dlamini agreed that his government was aware of SPTC's 2007 strategic plan, which included information on the project.

¶4. (SBU) In 2007 the Swazi cabinet's Subcommittee on Public Enterprises (SCOPE) approved the implementation plan, including the sale of shares. SPTC has already spent approximately USD 62 million; sent people abroad for training; and ordered starter packs, SIM cards, and other cellular telephone-related equipment. According to a SPTC pricing officer, the company currently plans on financing the project through bank loans.

¶5. (SBU) Industry and press observers privately indicated to us that the king wanted to purchase the MTN shares himself at a cheaper price than the buyer, the Roodeport, Gauteng (South African)-based MTN company, was offering SPTC. The South African firm reportedly offered twice what the next highest bidder did. The king had previously been able to buy strongly performing MTN shares at a low price, and he reportedly was annoyed he was not given that opportunity again. The Prime Minister, too, is said to have benefitted similarly from MTN's initial public offering.

¶6. (SBU) Embassy contacts and press reports suggest that GKOS did not renew the MTN Swaziland CEO's work permit as retaliation against the CEO for his role in the proposed share selling transaction to the highest bidder. Other observers report that Mogapi also opposed

government efforts to use the MTN network for electronic surveillance on political dissidents. Publicly, government officials have loosely tied the decision not to renew Mogapi's work permit to "localization" efforts to support greater Swazi inclusion at high-levels in businesses.

17. (SBU) COMMENT: The government's halt of parastatal SPTC's sale of MTN shares demonstrates the impact the king's and other influential individuals' private business interests can have on business transactions in Swaziland. Government officials would likely prefer a more malleable Swazi CEO at MTN who would cooperate more fully with royal and government wishes. END COMMENT.
IRVING